

ELMIRA-WARNER FIRE AUTHORITY
TOWNSHIPS OF ELMIRA AND WARNER
OTSEGO AND ANTRIM COUNTIES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name ELMIRA-WARNER FIRE AUTHORITY	County OTSEGO / ANTRIM
Fiscal Year End DECEMBER 31, 2005	Opinion Date APRIL 27, 2006	Date Audit Report Submitted to State MAY 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

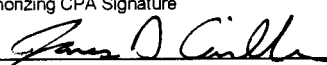
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KESKINE, COOK, MILLER & ALEXANDER		Telephone Number (989) 732-7515	
Street Address 100 WEST FIRST STREET		City GAYLORD	State MI
Zip 49735			
Authorizing CPA Signature 	Printed Name JAMES D. CAMILLER	License Number 1101027621	

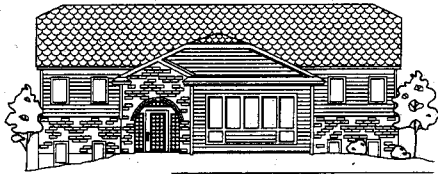
Elmira-Warner Fire Authority

President	Carl Essenmacher
Vice President	Diane Franckowiak
Secretary	Lori Herman
Treasurer	Matt Dobrzezewski
Member At Large	Sean Mason

Elmira-Warner Fire Authority

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
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Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

April 27, 2006

Members of the Board
Elmira-Warner Fire Authority

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Elmira-Warner Fire Authority as of and for the year ended December 31, 2005, which collectively comprise the Fire Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Fire Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Elmira/Warner Fire Authority as of December 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-5 and budgetary comparison information on page 20 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin Cook Miller & Alexander LLP
Keskin, Cook, Miller & Alexander, LLP
Certified Public Accountants

ELMIRA/WARNER FIRE AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED DECEMBER 31, 2005

This section of the Elmira/Warner Fire Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2005.

Please read it in conjunction with the financial statements, which immediately follow this section.

The Fire Authority recently changed its year-end from March 31st to December 31st. The last audited financial statements were for the 12 months ended March 31, 2004. Effective December 31, 2004, the Authority changed its year-end to December 31st and had a nine-month year ended December 31, 2004. The Fire Authority is only required to have its financial statements audited every-other year; thus, the financial statements for the nine-months ended December 31, 2004 were not audited.

FINANCIAL HIGHLIGHTS

The Authority is organized as a joint venture, formed by Elmira and Warner Townships for the purpose of providing fire and rescue services to the citizens of the two Townships in the most efficient and effective manner.

The financial status of the Authority improved over the nine-months ended December 31, 2004. For the year ended December 31, 2005, revenues exceed expenses by approximately \$17,000. This excess of revenue over expenditures is due to an increase in property taxes of approximately \$12,000 since the year ended March 31, 2004 and a decrease in expenditures as only \$2,507 in capital assets were purchased for the year ended December 31, 2005 compared to \$74,079 for the nine-months ended March 31, 2004.

Assets at December 31, 2005 totaled \$113,766, of which \$77,171 represents capital assets net of depreciation.

Liabilities at December 31, 2005 totaled \$8,308 compared to \$0 at March 31, 2004.

Revenues derived from governmental activities were approximately \$77,000 (\$74,000 from program revenues and \$3,000 from general revenues). Overall expenses for the Authority's governmental activities approximated \$60,000.

The Authority incurred no new debt instruments during the year, and the Authority purchased approximately \$3,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority.

The government-wide financial statements provide both long and short-term information about our overall financial status. The fund financial statements provide financial information using the current measurement focus. The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities, both short-term and long-term in nature. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Authority, you may also have to consider additional factors such as tax base changes, facility and equipment conditions, and personnel changes.

All of the activities of the Authority are reported as governmental activities; the Authority engages in only one type of activity – fire rescue services.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds, not the Authority as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Authority's board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Authority has the following type of fund:

Fire and Rescue Fund: All of the Authority's activities are included in this governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Authority's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net Assets: The Authority's overall net assets increased approximately \$17,000 during the year to total \$105,458. The increase was due largely to the decrease of expenditures since the Authority did not purchase significant amounts of capital assets in the year ended December 31, 2005.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

Fire and Rescue Fund – In the only fund, revenues exceed expenditures by \$23,134 for the year ended December 31, 2005. This excess was largely due to the decrease of expenditures since the Authority did not purchase significant amounts of capital assets in the year ended December 31, 2005.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

Additions to Authority's assets for this year include a new power ventilation saw and a new computer for the office.

Long Term Debt:

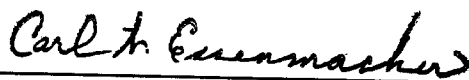
The Authority has no outstanding long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Fire Authority is committed to providing fire and rescue services to the residents and visitors to Elmira and Warner Townships. At this point in time, we have no formalized plans for significant operating changes or capital asset purchases.

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report, please contact Mr. Carl Essenmacher, Board President, at P.O. Box 7, Elmira, MI 49730.



Mr. Carl Essenmacher, President
Elmira/Warner Fire Authority

ELMIRA-WARNER FIRE AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Assets - Full Accrual
Assets			
Cash	\$ 29,821	\$ -	\$ 29,821
Property tax receivable	4,366	-	4,366
Accounts receivable	2,408	-	2,408
Capital assets, net	-	77,171	77,171
Total assets	\$ 36,595	77,171	113,766
Liabilities			
Accrued liabilities	\$ 725	-	725
Deferred revenue	7,583	-	7,583
Total liabilities	8,308	-	8,308
Fund Balance			
Unreserved and undesignated	28,287	(28,287)	
Total liabilities and fund balance	\$ 36,595		
Net Assets			
Invested in capital assets		77,171	77,171
Unrestricted		28,287	28,287
Total net assets		\$ 105,458	\$ 105,458

See Accompanying Notes to Financial Statements

ELMIRA-WARNER FIRE AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenue:			
Property tax revenue	\$ 74,428	\$ -	\$ 74,428
Refunds and reimbursements	3,010	-	3,010
Other	22	-	22
	<hr/>	<hr/>	<hr/>
Total revenues	77,460	-	77,460
Expenditures:			
Wages	14,798	-	14,798
Board and office wages	6,054	-	6,054
Fringe benefits	1,873	-	1,873
Office supplies	991	-	991
Operating supplies	3,351	-	3,351
Fuel	1,341	-	1,341
Equipment maintenance	1,983	-	1,983
Professional services	1,224	-	1,224
Telephone	664	-	664
Education and training	5,939	-	5,939
Utilities	3,052	-	3,052
Insurance	10,281	-	10,281
Miscellaneous	268	-	268
Capital outlay	2,507	(2,507)	-
Depreciation expense	-	8,618	8,618
	<hr/>	<hr/>	<hr/>
Total expenditures	54,326	6,111	60,437
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	23,134	(6,111)	17,023
Fund Balance / Net Assets:			
Beginning of year	5,153	-	88,435
	<hr/>	<hr/>	<hr/>
End of year	\$ 28,287	\$ (6,111)	\$ 105,458
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 1: ENTITY

The Elmira/Warner Fire Authority is a joint venture created in October 2002 by Elmira and Warner Townships (of Otsego and Antrim Counties, respectively). The Fire Authority is organized under Act 57 of the Public Acts of 1988, as amended. The Fire Authority was organized as the most desirable and economic method of furnishing fire/rescue services in the Townships.

Transfer of assets

Upon creation, all assets and rights of the previous combined Township fire/rescue department, including all real and personal property currently used in connection with the existing fire/rescue department, were transferred to the Authority.

Withdrawal / Dissolution

Upon dissolution, debts of the Authority shall be paid and the net assets shall be divided between the Townships on a pro rata basis based on the total taxable value of each Township. If the Authority's assets are insufficient to pay all of the Authority's debts, then each Township shall remain liable on a pro rata basis based on the total taxable value of each Township for a proportion of the debts and liabilities the Authority incurred while the Township was a part of the Authority.

Funding

Funding for the Fire Authority's operations is provided by an assessment to each Township on the taxable value of the geographical area covered. The Fire Authority's boundaries include all of Elmira and Warner Townships.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Fire Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide including required disclosures, of the Fire Authority's financial activities.

The accounting policies of the Fire Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Fire Authority as a whole.

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Fund Financial Statements

Fund financial statements are provided for the Fire Authority's governmental fund. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPE AND MAJOR FUND

Governmental Fund

The Fire Authority reports the following major governmental fund:

Fire Fund - This fund is used to account for all financial transactions of the Fire Authority. The Fire Authority's primary source of revenue is from Township assessments "earmarked" for fire protection. Interest is earned on cash investments. Other revenues are from miscellaneous activities / sources.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Fire Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Fire Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Fire Authority's entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax contributions are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

collectible within the current period or soon enough thereafter to pay current liabilities. The Fire Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property tax contributions and investment income. In general, other revenues are recognized when cash is received.

BUDGET

An annual budget is required of the Fire Authority. The budget is open to the public for their consideration before final adoption. The Townships also individually review and approve the budget. Upon completion of the public hearing, The budget was adopted on a fund level using the modified accrual basis of accounting. The budget was amended as necessary throughout the year. Both the original and amended budgets are presented in these financial statements, as a part of required supplementary information. The Budget is adopted prior to January 1st of each year. There are no carryover budget items.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Fire Authority experienced no overexpenditures during the fiscal year.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESTRICTED RESOURCES

When an expense is incurred for purposes for which both restricted and unrestricted net assets available, the Fire Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Fire Authority's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Fire Authority has no infrastructure assets. Donated assets are stated at fair value on the date donated. The Fire Authority generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur, if:

1. the estimated life of the assets is extended by more than 25% or
2. the cost results in an increase in the capacity of the asset, or
3. the efficiency of the asset is increased by more than 10%, or
4. significantly changes the character of the asset, or
5. otherwise, the cost should be expensed as repair and maintenance.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Machinery and equipment	10 – 15
Rescue vehicles	25 – 30

For information describing capital assets, see Note 6.

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Authority's Fire Fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. The difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance. The following reconciliation of fund balance to net assets and the changes in fund balance to the net change in net assets are as shown:

ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Total Fund Balance - Modified Accrual Basis	\$ 28,287
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Amounts reported for in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>77,171</u>
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Total Net Assets - Full Accrual Basis	<u><u>\$ 105,458</u></u>
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Net Change in Fund Balance - Modified Accrual Basis	\$ 23,134
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities these costs are allocated over their estimated useful lives as depreciation. This is the amount by which depreciation exceeds capital outlays in the current period	<u>(6,111)</u>
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Change in Net Assets - Full Accrual Basis	<u><u>\$ 17,023</u></u>
---	-------------------------

NOTE 4: CASH

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States of any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

NOTE 4: CASH (CONTINUED)

The Board has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized the Fire Authority to invest in all of the State statutory investments as listed above. The deposits and investment policies are in accordance with statutory authority.

The Fire Authority had no investments during the year ended December 31, 2005.

The bank balance of the Fire Authority's deposits is \$31,311, which is entirely covered by federal depository insurance.

NOTE 5: CAPITAL ASSETS AND DEPRECIATION

Capital asset activity of the Fire Authority's governmental activities was as follows:

Governmental Activities:	Balance Beginning of Year	Additions	Disposals	Balance End of Year
Capital assets being depreciated:				
Fire equipment	\$ 69,376	\$ 1,421	\$ -	\$ 70,797
Fire vehicles	104,783	-	-	104,783
Office equipment	-	1,086	-	1,086
Subtotal	174,159	2,507	-	176,666
Accumulated depreciation:				
Fire equipment	10,469	6,172	-	16,641
Fire vehicles	80,408	2,392	-	82,800
Office equipment	-	54	-	54
Subtotal	90,877	8,618	-	99,495
Net capital assets	<u>\$ 83,282</u>	<u>\$ (6,111)</u>	<u>\$ -</u>	<u>\$ 77,171</u>

NOTE 6: INSURANCE COVERAGES

The Fire Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Fire Authority pays annual premiums for the respective insurance coverage. There were no significant changes in coverage, nor were there any significant claims for the year.

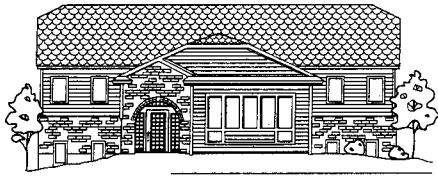
ELMIRA-WARNER FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

NOTE 7: LEASE

The Fire Authority leases the fire hall from Elmira Township. The lease requires normal maintenance of the facility and payment of all repairs and utilities. Annual cost of the lease is equal to \$1.

ELMIRA/WARNER FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Revenues				
Property tax revenue	\$ 74,444	\$ 74,444	\$ 74,428	\$ (16)
Refunds and Reimbursements	-	-	3,010	3,010
Other revenue	-	-	22	22
Total Revenues	74,444	74,444	77,460	3,016
Expenditures				
Wages	20,000	20,000	14,798	5,202
Board and office wages	6,120	6,120	6,054	66
Fringe benefits	-	-	1,873	(1,873)
Office supplies	4,000	4,000	991	3,009
Operating supplies	-	-	3,351	3,351
Fuel	1,250	1,250	1,341	91
Repairs and maintenance	3,000	3,000	1,983	1,017
Professional services	3,000	3,000	1,224	1,776
Telephone	500	500	664	(164)
Education and training	2,600	2,600	5,939	(3,339)
Utilities	2,000	2,000	3,052	(1,052)
Insurance	12,000	12,000	10,281	1,719
Miscellaneous	1,000	1,000	268	732
Capital outlay	2,000	2,000	2,507	(507)
Total expenditures	57,470	57,470	54,326	3,144
Excess of revenues over expenditures	16,974	16,974	23,134	6,160
Fund Balance - Beginning of Year	5,153	5,153	5,153	-
Fund Balance - End of Year	\$ 22,127	\$ 22,127	\$ 28,287	\$ 6,160



Keskine, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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April 27, 2006

Elmira-Warner Fire Authority
Otsego & Antrim Counties

We have audited the financial statements of the Elmira-Warner Fire Authority for the year ended December 31, 2005, and have issued our report thereon dated April 27, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Elmira-Warner Fire Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Elmira-Warner Fire Authority are described in the notes to the financial statements.

We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached page summarizes the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Elmira-Warner Fire Authority's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Elmira-Warner Fire Authority, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comments and recommendations should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- The authorized check signers on your checking account are the president, vice-president, treasurer, and administrative assistant. Checks require the signatures of two of the above four individuals. Currently, the administrative assistant writes all checks out of QuickBooks and also has a signature stamp containing the president's signature. In addition, the administrative assistant is married to the treasurer. As a result, the administrative assistant has the ability to issue and authorize checks through use of the signature stamp, her own signature, and the signature of her husband.

To maintain adequate internal controls over cash, the individual who has the ability to issue / record checks should not have the ability to authorize those checks. We recommend that you review your current cash disbursement procedures, and modify them as necessary to separate the functions of issuing / recording and authorizing all cash disbursements.

Comments and Recommendations (Continued)

- We noted that the Authority's expense reports submitted by employees for payment for time spent in training does not contain a line for the employee's signature or the indication of a supervisor's approval for payment. We recommend that the expense report template be changed to include a line for the employee's signature and for a supervisor's approval.
- The general ledger software currently being used is QuickBooks. When paying vendor invoices in QuickBooks, the date that the checks are being written is being entered into the software instead of the date that is on the invoice. As a result, no accounts payable is being computed by the software. For example, an invoice that is received in December 2005 for goods also received in December is being paid in January 2006. Under the current procedures, the software is not recording the expense until January 2006. As a result, expenses were understated for 2005. Although the amount of this understatement was immaterial to the Financial Statements as a whole and was not recorded, future amounts may be larger and require additional audit adjustments.

We recommend that the invoice date be entered into QuickBooks when paying vendor invoices, which will allow the software to correctly calculate accounts payable balances and accurately accumulated expenses in the correct period.

- We noted that your Board Minutes contain only the first names of the individuals present and throughout the description of discussions held during the meetings. We found the minutes difficult to follow due to the vagueness of only using first names. We recommend that the minutes be written to include first and last names, as well as Board position held during the roll call portion section of your minutes. Then, the remaining summaries of discussions can simply use first names which the reader can reference back to the roll call section.

We hope you find the above comments and recommendations useful. We are available to discuss these items in further detail with you at your convenience.

This information is intended solely for the information of the Elmira-Warner Fire Authority's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Keskine, Cook, Miller & Alexander LLP

Adjusting Journal Entries
Elmira-Warner Fire Authority
December 31, 2005

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	Fund Balance	R-1.2	101-000-300	1,536.00	
1	Contributions from Warner Twp		101-000-674		1,536.00
To adjust fund balance to actual at beginning of year (PY deferred revenue)					
2	Contributions from Elmira Twp	R-1.1	101-000-674.1		59,962.57
2	Contributions from Warner Twp		101-000-674	59,962.57	
To reclassify Contributions from both Elmira & Warner Townships separately					
3	Deferred revenue	R-1.1	101-000-233		7,583.00
3	Contributions from Warner Twp		101-000-674	1,961.00	
3	Contributions from Elmira Twp		101-000-674.1	5,622.00	
To record deferred revenue for 12/05 tax levy received in Dec '05 (revenue is for '06 calendar year).					
4	Plant & Equipment	X-1	999-000-140	2,507.00	
4	Contra Exp - Equipment		999-000-989		1,421.00
4	Contra Exp - Office Supplies		999-000-980		1,086.00
4	Dep Exp		999-000-999	8,618.00	
4	Accumulated Depreciation		999-000-145		8,618.00
GASB 34 entry - client do not make					
5	Equipment	X-1's	101-000-933.1		3,175.00
5	Operating Supplies		101-000-740	3,175.00	
5	Office Supplies		101-000-727		1,086.00
5	Capital outlay		101-000-933	1,086.00	
To reclassify capital outlay - client do not make this entry					
6	Due from Elmira Township	R-1's	101-000-021	4,365.83	
6	Contributions from Elmira Twp		101-000-674.1		4,365.83
To adjust property taxes to actual - Elmira Township did not remitt \$4,366 received from County at settlement to the Fire Authority.					
7	Delinquent tax	R-1.4	101-000-675	1,188.57	
7	Contributions from Warner Twp		101-000-674		1,090.80
7	Contributions from Elmira Twp		101-000-674.1		97.77
To reclassify delinquent taxes revenue account between Warner & Elmira Townships - client do not make					
Totals				<u>90,021.97</u>	<u>90,021.97</u>